

Message Text

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PAGE 01 MANILA 14328 052328Z

12

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05

STR-01 NIC-01 SAM-01 SAJ-01 FEA-01 INT-05 /105 W

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R 051014Z DEC 74

FM AMEMBASSY MANILA

TO SECSTATE WASDHC 8899

INFO AMCONSUL HONG KONG

CINCPAC

AMEMBASSY MOSCOW

SUSLO PEKING 0240

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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CINCPAC FOR POLAD

E.O. 11652: NA

TAGS: ETRD, EEWT, PFOR, RP, CH, UR

SUBJECT: PHILIPPINE TRADE PROSPECTS WITH PRC AND USSR

REF: A) MANILA 14262 AND 12554

B) MANILA 13937

BEGIN SUMMARY. PHILIPPINE BUSINESSMENA WHO WAS MEMBER OF BOTH
TRADE MISSIONS TO PRC AND SOVIET UNION BELIEVES TRADE PROSPECTS
ARE BRIGHTER WITH CHINA THAN RUSSIA, BUT CHINESE ARE
INTERESTED ONLY IN SELLING AND NOT IN BUYING , WHILE RUSSIANS
ARE MORE INTERESTED IN DIPLOMATIC RELATIONS. END SUMMARY.

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PAGE 02 MANILA 14328 052328Z

1. JOSE QUEMA, ATLAS CONSOLIDATED MINING VICE PRESIDENT WHO WAS ON PCI TRADE MISSION TO RUSSIA IN SEPTEMBER (REF A) AND ALSO ON PATERNO'S TRADE MISSION TO PRC (REF B), TOLD COMATT DECEMBER 5 THAT PHILIPPINE TRADE PROSPECTS WERE MUCH BRIGHTER WITH THE PRC THAN THE SOVIET UNION, FOR CHINA HAS ONLY ONE COMMODITY WHICH THE PHILIPPINES NEEDS-- PETROLEUM. QUEMA, ALTHOUGH HE HAD NO FIRM KNOWLEDGE, REPEATED STORY THAT PRC OIL FOR THE PHILIPPINES WAS CHEAP, A STORY AROUSING APPREHENSION AMONG ATLAS OFFICIALS THAT GOP MAY PAY FOR IT THROUGH "COMPARABLE PRICING" FOR COPPER AT EXPENSE OF COPPER COMPANIES.

2. IN ANY CASE, CHINESE DID NOT APPEAR INTERESTED IN BUYING PHILIPPINE PRODUCTS AT ALL, AND SO-CALLED FOUR AGREEMENTS (REF B) WERE ACTUALLY EXPRESSION OF INTENT AND IDENTICAL IN LANGUAGE IN EACH CASE EXCEPT FOR COMMODITY CITED. INDEED, ORIGINAL CHINESE DESIRE FOR 4,000 TONS OF COPPER WAS CHANGED TO 4,000 TONS OF COPPER CONCENTRATES. ATLAS AND PHILEX WERE PREPARED TO MAKE OFFER ON SPOT, BUT CHINESE DEMURRED. THIS FACT, PLUS CHANGE TO CONCENTRATES WHICH PRC HAS NEVER IMPORTED, AROUSES SUSPICION WHETHER CHINESE REALLY SERIOUS ABOUT BUYING FROM THE PHILIPPINES.

3. QUEMA REMARKED THAT THE CHINESE WERE MORE INTERESTED IN SHOWING FILIPINOS ABOUT IN PEKING AND THEN HUSTLING THEM TO CANTON FAIR. HE SAID THERE WERE MANY VISITING MISSIONS FROM SMALL COUNTRIES IN PEKING AS PLACARDS AND BANNERS WERE CHANGED DAILY TO GREET THE NEXT TOUR. CANTON FAIR WAS NOT WELL ATTENDED, AND BUSINESS THERE APPARENTLY WAS OFF THIS YEAR. IT WAS CLEAR THAT THE CHINESE WERE INTERESTED IN SELLING TO, AND NOT IN BUYING FROM, THE PHILIPPINES IN ORDER TO EARN FOREIGN EXCHANGE FOR THEIR RISING IMPORTS OF TECHNOLOGY AND MACHINERY.

4. AS FOR THE SOVIET UNION, QUEMA STATED THAT THE RUSSIANS WERE INTERESTED IN BUYING COPRA AND PERHAPS CONSUMER GOODS SUCH AS GARMENTS AND SHOES. SOVIETS WANTED TO LIMITED OFFICIAL USE

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PAGE 03 MANILA 14328 052328Z

ESTABLISH VERY LARGE TRADE OFFICE IN MANILA, PERHAPS NUMBERING UP TO 25 PERSONS. SOVIETS WERE INTERESTED IN OBTAINING DIPLOMATIC STATUS FOR THEIR PROPOSED TRADE OFFICE, AND QUEMA ASKED COMATT WHETHER TRADE OFFICE COULD HAVE DIPLOMATIC STATUS AND WHETHER SOVIETS COULD BE RESTRICTED IN THEIR TRAVELS. AFTER SHORT DISCUSSION BASED ON U.S. EXPERIENCE, QUEMA SAID THAT SOVIETS ALSO COMPLAINED BITTERLY ABOUT HAVING TO DO TRADING THROUGH PHILIPPINE INTER-

NATIONAL TRADING CORPORATION (PITC), GOP COMPANY EXPRESSLY ESTABLISHED FOR TRADE WITH SOCIALIST COUNTRIES. QUEMA COMMENTED THAT GOP DID NOT TRUST SOVIETS.

5. COMMENT: QUEMA'S INFORMATION ON THE MISSION TO CHINA SUPPORTS AND AMPLIFIES PREVIOUS EMBASSY REPORTING. HIS INFORMATION ON SOVIET PROPOSAL FOR LARGE TRADE OFFICE IS NEW AND LIMITED ITEMS IN WHICH SOVIETS ARE INTERESTED IN BUYING LEADS TO THE SUPPOSITION THAT THEY ARE AFTER DIPLOMATIC ASPECTS OF TRADE OFFICE RATHER THAN TRADE PER SE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, TRADE VISITS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA14328
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740353-1096
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741258/aaaabxae.tel
Line Count: 126
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) MANILA 14262 AND 12554
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2002 by kelleyw0>; APPROVED <19 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PHILIPPINE TRADE PROSPECTS WITH PRC AND USSR
TAGS: ETRD, EEWT, PFOR, RP, CH, UR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005